

Chairperson: Steve Cady, 278-4347

Clerk: Carol Mueller 278-4228

SELECT COMMITTEE ON DEFERRED COMPENSATION

Monday, August 1, 2011 – 9:30 a.m.

Milwaukee County Courthouse - Room 203-P

MINUTES

Present: Grady, Walker, Ceschin, Russell and Cady (Chair)

SCHEDULED ITEMS:

The Committee may adjourn into closed session under the provisions of Wisconsin Statutes, Section 19.85(1)(f), for the purpose of discussing the following matter(s). The Committee may reconvene into open session to take whatever action(s) it may deem necessary on the said matter(s).

1. 11DC21 Appeal(s) from deferred compensation participant(s) of decisions regarding request(s) for hardship withdrawal(s) of funds from Milwaukee County's Deferred Compensation Plan.

There were no appeals.

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2. 11DC33 Financial Update on Administration of Milwaukee County's Deferred Compensation Plan. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

The current administrative fee holiday is authorized through the fourth quarter of 2011. It began with the second quarter of 2007. Discussion ensued on extending the administrative fee holiday for a portion or all of 2012.

ACTION BY: (Grady) Approve extending administrative fee holiday through the fourth quarter of 2012. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

3. 11DC34 From Great-West Retirement Services, Second Quarter Report. **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

This quarter Great-West focused on meeting with new Sheriff and County Correctional Facility South employees at the training academy. They also made a presentation at the Employee Retirement Workshop discussing backdrop and vacation payout deferrals. Many new enrollments are by employees that have not participated in the deferred compensation plan but wish to take advantage of the tax advantages with the plan.

Vacation payouts can be deferred up to 80% leaving 20% for payroll taxes. This is an administrative policy and not an IRS requirement so as to avoid a "negative" payroll check.

Individual appointments by retiring employees have increased which has resulted in an increase in enrollments and buyouts for vacation and backdrop monies.

Sick pay rollover is not eligible at this time. The Plan Administrator will look at the Milwaukee County General Ordinances to see if this is policy or an administration requirement, due to timing on the election to defer when the exact payroll payout is unknown.

Ms. Russell gave kudos to the Great West staff for their flexibility to meet with retirees at individual retirement meetings.

Full plan distributions are still happening but usually on accounts with smaller balances and now with more informed decisions. The negative number regarding rollovers in June was caused by a large check being deposited in May which was not the intent of the employee and was therefore reversed in June.

Great West will target ten departments to market enrollment seminars toward new hires.

In January of 2012, some employees of the Department of Human Services- will become State employees. Changes in State law will be addressed in regards to deferred compensation for these employees.

The Committee took no action on this informational item.

4. 11DC35 From Great West Retirement Services, a communication regarding the implementation of an interactive voice response system for participant calls.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

The voice system will go into effect on August 8, 2011. The phone number is 877-457-6459. The new automated voice system will allow participants to access specific portions of their account information, such as obtaining a new personal identification number in order to use the web site. These changes will allow customer service representatives to focus on more complex inquiries to the call center.

The Committee took no action on this informational item.

5. 11DC36 From Great-West Retirement Services, recommended participants and procedures to pay out "De Minimus" accounts as provided for in the In-Service Distribution (Section 10K) of the Milwaukee County Plan of Deferred Compensation.

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

Deminimus accounts are those that are less than \$1,000 and no contribution or distribution has been made in the last two years. The report of current deminimus accounts was provided by Great-West Retirement Services. The procedures to pay out these deminimus accounts will start with a letter to each participant letting them know that a payout will occur unless they take another action such as: 1) restarting deferrals, or 2) rolling over the balance to another qualified retirement account.

Accounts that Great West is unable to locate the participant, will remain in the Plan. Deferred Compensation money does not usually go into unclaimed property because of the techniques that the record keeper has to locate individuals regarding their account balances. Discussion ensued as to how often this process should be performed. Ms. Oelke said that typically deminimus accounts are processed every 18 months. The Chairman suggested that he will have Great-West run another report in one year to determine if the amount of accounts warrants an earlier review.

ACTION BY: (Ceschin) Approve the list to payout De Minimus accounts. Review and update the cover letter to ensure that eligible participants are provided an opportunity to restart their deferrals. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

6. 11DC37 From Great-West Retirement Services, recommending a plan of action to communicate and educate employees on a Roth 457 option.

APPEARANCE(S)

Sue Oelke, Great-West Retirement Services

SCHEDULED ITEMS (CONTINUED):

The education timeline is September/October. The goal is to have the option available for discussion during open enrollment in 2011. The rules related to a Roth 457 plan are more complex than a regular Roth individual retirement account (IRA). Contributions would need to be on a percentage basis or a flat dollar amount. Monitoring will be done through the Ceridian payroll system so the participant does not exceed the Federal contribution limit. It is expected that the Roth 457 option will be available beginning with the pay period starting December 11, 2011. Participants will need to make the deferral changes, per IRS code, in the preceding month (or earlier) for the changes to be applicable for the first eligible pay period. The Roth 457 requires that contributions must be held for five years for earnings to be considered tax free. If the participant contributes at least \$1 in 2011, that will satisfy the requirement for all contributions deferred during the five-year period. It will also satisfy one full year of the five-year requirement regardless when in 2011 the deferral is made. There are other tax provisions and requirements that will be shared with Plan participants regarding the benefits of the Roth 457 option and how they differ from the normal 457 pre-tax contributions and earnings.

ACTION BY: (Grady) Approve. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

7. 11DC38 From Reinhart Boerner Van Deuren recommended amendments to the Milwaukee County Plan of Deferred Compensation to authorize a Roth option.

The amendment to the Plan was drafted to be effective December 11, 2011. However, the Committee discussed that participant education materials would be distributed beginning around September. Also, it was unclear if participants could make their election to defer a portion of their salary to the Roth 457 option (which by IRS code must be done at least in the month prior to when the deferral will begin) if the option wasn't effective until December 11, 2011. To avoid confusion, the Committee amended the effective date to August 1, 2011 with the understanding that the first date participants will be able to defer monies into the Roth 457 option will be December 11, 2011.

ACTION BY: (Grady) Approve with references to start date changed from 12/11/11 to 8/1/11. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

8. 11DC39 From Advised Assets Group, Second Quarter Stable Value Fund Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

SCHEDULED ITEMS (CONTINUED):

The Stable Value Fund rate for the second quarter was 3.9% annually. The new third quarter rate is 3.8% annually. The account has a higher market value than the book value.

The Committee took no action on this informational item.

9. 11DC40 From Hewitt Ennis Knupp, Second Quarter Performance Report.
(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

The market had mixed results. The domestic stocks were flat. The possibility of the U.S. debt default or downgrade could affect the market. Other affects on the market result from a low gross domestic product, high unemployment and depressed home prices.

The 2025 Target Date Fund is the most use fund and has a low expense ratio. More education is needed for these funds. These investment options may be a better choice for participants than the managed accounts option when comparing the fees and results. The Chairman said that there is no doubt, however, that the managed account service has attracted many employees to enroll in the Plan because they do not want to select and manage their own investment options.

The Committee took no action on this informational item.

10. 11DC41 From Hewitt Ennis Knupp, report on Equity Large Cap Growth Fund Search.

APPEARANCE(S):

Laurel Nicholson, Hewitt Ennis Knupp and Associates
Chris Riley, Global Head of Equity Manager Research, Hewitt Ennis Knupp and Associates

Hewitt Ennis Knupp provided the Committee, from their search to replace the Growth Fund of America, with their assessments of four mutual funds that would be appropriate candidates for the Plan. The following large cap funds were suggested as possible replacements:

SCHEDULED ITEMS (CONTINUED):

<u>Manager</u>	<u>Product</u>
Jennison Associates	Harbor Capital Appreciation Fund
PRIMECAP Management Co.	Odyssey Growth Fund
T. Rowe Price	Large Cap Growth Fund
Winslow Capital Management	Mainstay Large Cap Growth Fund

Mr. Riley went through each fund and provided details on the strengths, weaknesses and environmental analysis of each fund. The overall rankings were based on factors of business, staff, investment process, investment risk, operation due diligence, performance analysis, and terms and conditions. Each fund was a recommended "buy" option by Hewitt Ennis Knupp and each fund could be added by Great-West to the platform of funds they record keep.

After much discussion and comparison the Committee selected T. Rowe Price Institutional Large Cap Growth Fund (Ticker TRLGX) for their overall performance, low investment fees and name recognition. Assets currently held in the Growth Fund of America (RGAFX) will be mapped to the new investment option when the change occurs in the next few months. Affected participants will be notified and given an opportunity, if they so choose, to select an alternative investment option prior to the fund replacement and asset mapping.

ACTION BY: (Ceschin) Approve replacing T. Rowe Price Institutional Large Cap Growth Fund for Growth Fund of America. 5-0

AYES: Grady, Walker, Ceschin, Russell and Cady (Chair) – 5

NOES: 0

11DC01 Next regularly scheduled meeting of the Select Committee on Deferred Compensation: **(INFORMATIONAL ONLY, UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

- November 14, 2011
- February 6, 2012
- May 7, 2012
- August 6, 2012

Chairman Cady asked the members and consultants to review the 2012 dates and communicate any conflicting dates that may need changing. These dates fall in line with the 2011 dates that typically provide adequate time for previous quarter reports to be assembled and distributed to Committee members.

The Committee took no action on this informational report.

SCHEDULED ITEMS (CONTINUED):

This meeting was recorded. The foregoing items were not necessarily considered in agenda order. Committee files contain copies of the subject reports, communications, resolutions, and ordinances, which may be reviewed upon request to the Chief Committee Clerk. The official copy of these minutes, along with the audio recording of this meeting, is available in the County Board Committee Services Division.

Length of meeting: 9:35 am to 12:37 pm

Adjourned,

Carol Mueller

Chief Committee Clerk

Select Committee on Deferred Compensation

<p><i>ADA accommodation requests should be filed with the Milwaukee County Executive Office for Persons with Disabilities, 278-3932 (voice) or 278-3937 (TTY), upon receipt of this notice.</i></p>
